put the legends. The different stories are summarized at the end of the volume.

Warne, F. J. *The Coal-Mine Workers.* Pp. x, 251. Price, $1.00. New York: Longmans, Green & Co., 1905.
Reserved for later notice.

Zueblin, Charles. *A Decade of Civic Development.* Pp. 188. Price, $1.25. Chicago: The University of Chicago Press, 1905.
In this little book the author sketches the civic improvement which is taking place among us and emphasizes the rapid progress of the last decade. He points out our many shortcomings, especially those along æsthetic lines, but cites the Columbian Exposition, with its artistic excellence, as the beginning of a new era for American cities. Since then a new civic spirit has come into existence. Finally, he takes four cities remarkable for their past efforts —Boston, New York, Harrisburg and Washington—and shows what they have been able to accomplish.

The book is optimistic in tone, and is well worth the perusal of those who have bewailed the failure of American municipal government.

REVIEWS.

Conant, Charles A. *Principles of Money and Banking.* Two vols. Pp. 940. New York: Harper & Bros., 1905.
The first of these two volumes is devoted to the subject of money. It contains an epitome of the best that has been said by sound-money writers. Theories of the economists find expression, together with the results of historical research, etc. The conclusions thus reached are treated as principles for the consideration of the many subjects of present-day interest. The work is not only a forceful exposition of so-called principles which have guided commercial people and leading nations in thinking about monetary problems, but it is unique in that the work of the author is in the nature of a collation of the thought and expression of nearly every writer of note on the several topics treated.

The second volume deals with the public aspects of banking and government paper issues. In this the author has used economic theory and historic reference in an able way to support conclusions arrived at by the "Commercial Assets" School of Bankers. In his thinking the author proceeds from the assumption that "the character of assets which sound banking practices suggest" is readily convertible commercial assets (II, 67). "This," he says, "is the natural result of the effort to render services to patrons for the lowest charges and earn profits for the bank by keeping at the minimum the amount of idle capital invested in reserves" (II, 72). The assumption that the capital invested in a banking institution for the purpose of main-

taining a "reserve" to be *"idle"* is again restated as follows: "All that portion of the assets held in money lies idle in a sense and reduces the profits which may be earned if the money was let out" (II, 59). Again he refers to it as "a waste of economic efficiency" (II, 283).

Representing the bank as an institution "seeking to accomplish the largest volume of results with the greatest saving of effort" ((II, 206), and "the function of the banker" as "economizing the use of money," thereby "diminishing the cost and effort of exchange," he leads inevitably to the following conclusions: (1) That as a means of further economizing the use of capital and " diminishing the cost and effort of exchange," the bankers should be given power of note-issue, limited only by the demand of the public for money; (2) to the same end, banks should be empowered to institute branches, thus giving a larger utility or "fluidity" to the capital of the community; (3) that the sub-treasury system should be abolished, in order that all of the current funds of the government may be used by the bank as a means of putting this idle money into circulation, thus still further decreasing "the cost of exchange."

In these three main conclusions the author is in strict accord with Mr. Horace White, Mr. Eckels and a large number of the leading bankers of the country. Mr. Conant differs from the others only in the method of arriving at conclusions. Laying the foundation for his theory, he defines a bank, not as an institution organized to do business on its own capital, but as one entrusted with the doing business on the "saved capital of others." "The primary function of a commercial banker is that of a broker and dealer in money" (II,208)—other people's money. "It is in gathering up the capital of others through the deposit system that the commercial banker renders one of his essential services to the country" (II, 211, 282).

Supporting this thesis he further says: "The essential fact underlying the use of credit is the existence of saved capital" (II, 10). "The different forms of banking credit are simply devices for transfer of capital from hands where it is not needed to those where it may be put to use" (II, 16). He continually refers to credit as "a title to money" or capital saved. With such a concept, the need for independent capitalization is minimized—in fact, it is so far lost sight of as to warrant the conclusion on his part that all capital used by a bank for the purpose of supporting credit may be deemed as "idle" and is so labeled. On the other hand, the public interest in legislation which will still further permit a bank to increase its credit, or its "devices for transferring capital from hands where it is not needed to those where it may be put to use," is appealed to. This assumption serves the author as the underlying basis for his argument with respect to placing the power of note-issue in the hands of banks and taking the functions of paper money issue away from the government.

Without offering any suggestion by way of hostile criticism of conclusions reached in a work which has cost so much painstaking research as a means of arriving at the opinions and statements of students and experts, the reviewer ventures to call attention to what is regarded by another school

of banking opinion as unwarranted assumptions and inconsistencies in reason. That the bank is organized for the purpose of rendering a public service in return for which the banker hopes to derive a profit is not gainsaid. It is *not* conceded by all, however, that the business of banking is one of handling the money or capital of others. The banker is in no sense to be regarded as a broker of other people's money. On the contrary, it is asserted that every dollar the banker takes in over his counter as a "deposit" is the banker's money; that the transaction of banking is in the nature of a bargain and sale and not one of trusteeship or bailment; that when a customer hands money to a receiving teller, the bank becomes the purchaser of money so passed in, paying for it with its own credit; that this is true of money transactions in the same sense as in the case of a note sold to the bank; that, instead of being a broker, the banker is a credit merchant, buying the interest-bearing credit obligations of customers and paying for the same by means of his own demand credit obligations; that in so far as any money passes between the banker and the customer it is entirely incidental to the credit business carried on. It is held that a money broker or a money changer is not in any sense a commercial banker—neither is a note broker or a bullion broker an exchange broker or a bond and stock broker. The same may be said of dealers in these various classes of instruments of exchange. In so far as transactions of the kind are carried on by the bank, they are purely ancillary proceedings, the main purpose of the banker being that of disposing of his own demand credit at a profit.

It is also asserted by those opposing the school to which Mr. Conant belongs that there is no capital in the business of banking except that which is put into it by the banker himself or by the stockholders. The author himself in another relation admits this by accepting the following statement and definition as "sound": "The commercial bank is capitalized for the purpose of supporting its own credit obligation; these credit obligations in turn are used as a means of purchasing the current liabilities of other business concerns. This is the business of banking." Taking this as a proper view of the business of banking and the purpose of capitalizing, it cannot be conceded that the capital of a banker in any sense is "idle" unless he is unable to sell the full amount of cash that his capital may safely support, *i. e.*, to increase his deposit obligations to from three to six times the amount of the capital which he has invested.

By accepting the definition above quoted and this statement of the function of capitalization as "sound," it is held that the whole argument of the author and of the school which he represents falls to the ground. The business of the bank being one of selling its own demand credit at a profit (of exchanging it for income-producing credit assets), its credit should be supported by its own capital, and this capital should be adequate at all times to meet all ordinary demands made on its own obligations.

From this point of view the capital of the bank serves two purposes: (1) In providing an independent support for the bank's demand obligations, it operates as security or as a capital fund for the protection of the bank's

creditors against loss suffered by reason of the bad judgment of the banker in the purchase and sale of credit, and (2) the bank, having been chartered and empowered by the government to offer and sell its demand credit to the community for use as "cash," the same law which creates the bank should require that the capital of the bank should be adequate immediately to meet all of the ordinary financial needs of customers growing out of demands for payment of the bank's credit obligations, without suddenly and forcibly curtailing the volume of "cash" circulating in the community in the form of bank credit whenever there may be a financial strain. From this point of view the capital of a bank is not more idle than is the foundation of a factory. The cash and security reserve provided by the bank out of its own capital is the very foundation of the bank's usefulness in the community, and on the adequacy or strength of this foundation depends the banker's right to offer his demand credit for sale in exchange for money or commercial paper.

Exception is taken to the definition of credit offered by the author. It is held that credit is not a "title" to money; nor is bank credit a device for "transferring capital" from the community to the bank and again from the bank to another who may make better use of it. In another place Mr. Conant accepts the more exact statement or definition, viz., that credit is "an executory contract to deliver money"; that credit is a right to demand money in the future, the title, however, not passing till the money is actually delivered or paid. If credit were a "title" to money the creditor of the bank would own the banker's reserve. More than this, the banker would have no right to issue credit for a dollar more than he has in his vaults; the law deals very harshly with one giving a deed to property which he does not own. This figure of speech has led many into vicious forms of reason.

Again, commercial paper is not capital to the maker; it is given by reason of his lack of capital. When, therefore, a bank exchanges its credit for a note, it does not obtain capital; neither does it deliver capital when giving a demand credit on its own books. The difference between the idea of the author and the concept of those who are opposed to the view of the school which he represents is the difference between *capital* and *floating debt;* the conclusions resting on the assumption that there is no difference between capital and floating debt are a product of reasoning that fails to distinguish between assets and liabilities.

The three main conclusions drawn are (1) that the bank should be given greater powers of credit expansion; (2) that branch banking should be allowed without requiring increased capitalization; (3) that the gold of the government should be sold to the banks in exchange for their demand credit, *i. e.,* loaned without interest or at a nominal charge. These are all pregnant of the same fallacies. Before the first conclusion may be conceded it is incumbent on the "Commercial Assets" school to demonstrate that the banks are at the present time overcapitalized. Before the second conclusion may be safely reached they must show: that the banks are both overcapitalized, that a centrally controlled group of banks having the same

capitalization as if working independently will better serve the individual business man who is seeking accommodation, and that there is no public danger to be feared in the exercise of a banking monopoly. Before the third conclusion may be established it must be shown that it is in the interest of public welfare for banks to do business on the funds of the government rather than on their own capital.

The opponents of the "Commercial Assets" school claim that at the present time our banks are not adequately capitalized, as shown by their frequent inability to support their own credit without the contraction of the cash current in the community; that some of our banks are issuing from ten to fifteen times as much credit as they have capital invested in the business; that the banking law fails to exercise control over the banks with respect to the amount of credit which may be issued; that the proposed measures for increased powers of note-issue, for branch banking and for treasury deposits (if they become law in the form laid down) would each operate in the direction of still further weakening the capital strength of institutions which are already ill supported, and would add to the credit convulsions from which the business community and the nation suffers. In brief, the contention is that the measures proposed by the "Commercial Assets" school, while they would give increased power of expansion of credit during periods of speculation and great business activity, by virtue of the smaller pro rata capital support given, would necessitate more drastic retractions of credit in periods of monetary disturbance. It is also truthfully asserted that in the whole literature which has been produced by this school not a suggestion is found nor an argument proposed which seriously attempts to discuss, to say nothing of disposing of, the question of the amount of capital needed to support the volume of bank credit used, whether this be in the form of note-issues or obligations to depositors.

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New York.

Dunning, William A. *A History of Political Theories from Luther to Montesquieu.* Pp. xii, 459. Price, $2.50. New York: Macmillan Company, 1905.

This volume carries forward to the middle of the eighteenth century the work begun in the History of Political Theories, Ancient and Mediæval, published three years ago. Luther, Suarez, Bodin, Grotius, Hobbes, Locke and Montesquieu are the central figures, but the exposition of their theories does not unduly eclipse that of the writers of lesser importance. The Reformation was to strengthen absolutism. The reaction against the tyranny of the church brought about increased tyranny in monarchic and aristocratic institutions. But near the close of the sixteenth century the construction put by Luther and Calvin upon the Bible was dropped, and submission to any particular ruler as the representative of God's will ceased to be the presumptive duty of a Christian. Law and contract intervened between